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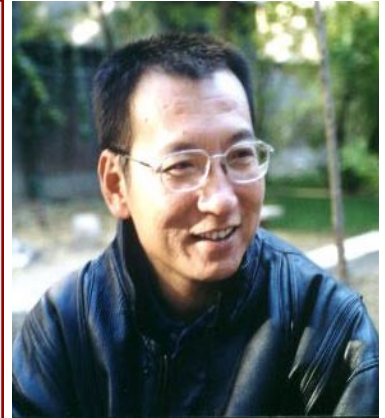
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In a Fortnight

By L.C. Russell Hsiao

CHINA'S POOR, YOUNG AND RESTLESS

The "Economic Blue Paper," a report published by the Chinese Academy of Social Sciences (CASS) on December 2 (*China Brief*, December 8), stated there will be 6.1 million college graduates entering the job market in 2009, among those graduates some 30 percent to 40 percent—approximately 2 million—will be unable to find jobs (*Ming Pao*, December 15). One of the government's top priorities for addressing the current economic crisis will be to stabilize the haphazard job market, said Chinese Minister for Human Resources and Social Security Yin Weimin (People's Daily Online, November 24).

As the global economy continues to contract, it is being reported that over 67,000 small and medium-sized enterprises in China have gone bankrupt in the first half of 2008 (*Ming Pao*, December 15). According to Yin, the small and medium sized enterprises are the ones most hurt by the financial crisis and that the employment situation looks increasingly "grim" (Xinhua News Agency, November 24). In the first 10 months of 2008 a total of 10.2 million people lost their jobs, which is two percent more than the government's full-year projection. Moreover, the official urban unemployment rate could reach 4.5 percent by the end of 2008 and rise further in 2009 (*AsiaNews*, November 20).

Yet the severity of China's unemployment problem can not be adequately captured by the government data because the existing formula does not account for the hundreds of millions migrant laborers who make up a significant portion of China's urban labor

market. This blind spot may create serious discrepancies in the government's policy responses (see Li Jianmin's article in this issue). In fact, Yin admitted that, "It is migrant workers who are affected most severely ... but they are not included in our statistics" (*AsiaNews*, November 20).

The sprawling industrial bases along China's coastal regions have been one of the major engines of its economic miracle. These urban centers absorbed the country's rapidly increasing labor supply that has been the backbone of China's demographic dividends. The rising education level of the population coupled with the increased mobility of migrant laborers created a work force that complemented the demands of the global market. Millions of people as a result flocked to the cities for the economic opportunities created largely by export-led and predominantly foreign-owned industries—and for three decades the Chinese Communist Party (CCP) relied on this particular sector of its industrial base for its economic benefits. For a regime whose sole legitimacy rests on the party's ability to generate wealth for its growing population, pleasing its young and ambitious segment is becoming increasingly problematic in the global financial crisis.

Beijing is hedging its bets on the benevolent effects of its proposed \$586 billion stimulus package. However, as China's industrial output slows down before these adjustments settle in the economy, a crumbling housing market and rising income gap, capped off with rising unemployment, is a sure recipe for the type of civil unrest that Beijing leaders have desperately tried to avoid.

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Intellectuals Lobby for Political Change as Party Marks 30th Anniversary of the Reform Era

By Willy Lam

While expectations for policy changes are not high as Beijing marks the 30th anniversary of the reform era, a clutch of forward-looking cadres and intellectuals are taking advantage of the occasion to press for bolder measures particularly in political liberalization. This is despite the fact that the leadership under President Hu Jintao and Premier Wen Jiabao seems totally preoccupied

with economic woes such as slackening exports and fast-rising unemployment. Moreover, conservative elements within the Chinese Communist Party (CCP) hierarchy have decried perceived Western support for the Dalai Lama as signs of a larger "conspiracy" against the Chinese socialist system (*International Herald Leader* [Beijing], December 9).

President Hu is scheduled to deliver a keynote address at the Great Hall of the People later this month to celebrate the 30th anniversary of the Third Plenary Session of the 11th CCP Central Committee, when Deng Xiaoping kicked off the reform and open-door era. Yet the mainstream thinking is that Hu would focus on upbeat and "patriotic" elements such as China's economic and technological achievements, which will be cited to justify the "ruling-party" for life status of the party. The Hu-led Politburo's hard-line attitude toward political reform was evident in the harsh treatment meted out to some of the approximately 300 intellectuals, including scholars, writers and journalists who signed Charter 2008, a petition demanding that Beijing honor the 60th anniversary of the UN Universal Declaration of Human Rights by introducing systems and principles including elections, judicial independence and freedom of speech and religion. Modeled after Charter 77 of Czechoslovakia, Charter 2008 urged Beijing to make radical changes to a political system that "continues to produce human rights disasters and social crises, thereby constricting China's own development but also limiting the progress of all human civilization." The authorities responded by detaining the leaders of the campaign, including well-known writer Liu Xiaobo and political scientist Zhang Zuhua (*New York Times*, December 11; *The Economist*, December 11; *Washington Post*, December 17).

As the country is buffeted by austere economic realities, the relatively reformist mood of late 2007 and early 2008 seems to have been forgotten. About a year ago, Peking University Politics Professor Yu Keping, deemed an advisor to President Hu, caused a stir by penning an essay called "Democracy is a good thing." Moreover, a group of officials in southern China, including Party Secretary of Guangdong Province Wang Yang, spoke enthusiastically about a "third wave of thought liberation" (*China Brief*, Volume: 8 Issue: 13, June 18, 2008). Since the summer, however, Wang has been concentrating only on solving export problems in his province (*People's Daily*, December 10; *Financial Times*, December 12). Professor Yu seems to also have mothballed his more radical ideas when he was recently interviewed by the official media about the experience of three decades of reform. While talking to China News Service, Yu dwelled on the least controversial of the "reforms," eradicating corruption and allied economic crimes. "We should fight corruption at its roots," he told CNS. "More effort should

be put on the selection and promotion of officials, putting limits on power, and [improving] the cadre responsibility system and policy transparency” (China News Service, December 9).

However, much stronger—and increasingly impatient—calls for thorough-going reform, particularly liberalization of the political structure, are being made by retired officials and senior academics who are often referred to as “public intellectuals” (*gongzhong zhishi fenzi*) in the Chinese media. Given that many joined the CCP in the 1930s and 1940s, senior public intellectuals are given more leeway by censors and state security agents to speak up. Among the most vociferous is respected economist Wu Jinglian, a one-time confidante of former premier Zhu Rongji. Writing in a couple of official papers, the 67-year-old government adviser noted that the authorities “must quicken the pace of political reform.” Wu complained that pledges made at the 15th and 16th CCP Congresses such as “building a country with rule of law” had yet to materialize. “A modern market economy needs to have the superstructure guarantees of constitutional government, democracy and rule of law,” he pointed out. “We can no longer afford to tarry and wait.” Wu noted that owing to the lack of checks and balances, the phenomenon of “rent seeking,” or corruption, had mushroomed. He estimated that such improper and illegal activities accounted for up to 30 percent of GDP (Money.163.com, December 15; Chinareform.org.cn, October 10).

Hu Fuming, a renowned political philosopher, also railed against further procrastination about political reform. A retired professor, Hu was widely credited for having fired the first salvo for “thought liberation.” In mid-1978, he published the article “Practice is the sole criterion of truth,” which indirectly laid into the blind worship of “Mao Zedong Thought” popularized by Chairman Mao’s chosen successor Huo Guofeng. Reminiscing about his audacious gesture, Hu told the official media that “I was psychologically prepared to go to jail” for running afoul of the powers-that-be. The 73-year-old thinker revealed that he had this year been making speeches around the nation “to add fire to reform.” “Reform must be all-rounded,” he said. “In tandem with economic reform, we should push forward political changes and implement democratic construction with more enthusiasm.” Referring to President Hu’s oft-repeated goal of “constructing a harmonious society,” Hu pointed out that “developing democracy and rule of law are the prerequisites of building a harmonious society” (China News Service, November 14; Finance.qq.com, November 28).

Advocates of no-holds-barred liberalization also include the children of earlier-generation reformers whose avant-

garde views underpinned the pro-democratic student movement of 1989. Foremost among them is the son of revered party chief Hu Yaobang, Hu Deping, who is now a vice-director of the CCP United Front Department. Hu Deping’s views have attracted notice because his father, who died weeks before the June 4, 1989 crackdown, was a one-time mentor of President Hu. In his article on the 30th anniversary of reform, which was published in the Guangzhou-based *Southern Weekend* newspaper, Hu Deping focused on the liberal pronouncements of Marshal Ye Jianying (1897-1986). Ye, also a former chairman of the National People’s Congress (NPC), played a pivotal role in smashing the Gang of Four in 1976. Hu quoted Marshal Ye as scolding the CCP leftists: “It’s as though implementing democracy amounted to a restoration of capitalism... Some of our comrades become very nervous once they hear the word ‘democracy.’ They seem to be afraid that this would be equivalent of abandoning the dictatorship of the proletariat.” The younger Hu also cited Ye’s somewhat bitter comments on China’s rubberstamp legislature: “It [the NPC] has the title but no substance; it has got things to do but no power.” Wrote Hu: “I think it’s the only time in the history of the NPC that such words were pronounced” (*Southern Weekend*, October 2).

How effective is the fulmination of public intellectuals such as Wu Jinglian and Hu Fuming? Analysts say that while these big names seem to have been marginalized within the CCP, they have huge networks, including access to “princelings,” a reference to the offspring of party elders such as Vice-President Xi Jinping. The 55-year-old Politburo stalwart and heir-apparent to President Hu has been charged with drafting the party document summarizing three decades of reform policy (*Apple Daily* [Hong Kong], December 12). While Xi is usually regarded as cautious and risk-averse, particularly in ideological matters, he is known to respect the liberal views of his famous father, the late Xi Zhongxun. A close friend of Hu Yaobang, the elder Xi was instrumental in helping Deng formulate market-oriented policies when he was party secretary of Guangdong from 1978 to 1981. At least in the near term, however, Vice-President Xi is expected to toe the overall line of maintaining political stability and upholding the CCP’s mandate of heaven.

The play-safe, stability-über alles approach that may characterize the last four years of the Hu-Wen administration is evident in remarks made by experts in major think tanks such as the Central Party School (CPS), which is headed by Vice-President Xi. In their assessment of the past three decades of reform, these elite scholars have put the emphasis on what a Xinhua News Agency article calls “assiduous effects to shake off the ‘boom-bust cycle’ of political regimes.” According to CPS researcher

Dai Yanjun, “under new historical circumstances, only the CCP can remain China’s ruling party.” However, Professor Dai warned that the party must “bolster its legitimacy by improving its governance ability so as to win the resolute support of the broad masses.” Other academics interviewed by Xinhua pointed out that after ruling for 60 years, it would be easy for the CCP to “lose its liveliness and vitality”—and that the leadership must do its best to eradicate corruption and augment intra-party checks and balances (Xinhua News Agency, December 13).

It seems clear, however, substantial steps in reform are unlikely at this time of great economic uncertainty—and social instability. In fact, a number of think-tank scholars have put the government imperative on preventing the infiltration of “hostile, anti-China foreign forces,” usually a code word for the United States. Ji Zhengju, a senior researcher at the Central Compilation and Translation Bureau, a major official think tank, indicated that the CCP must draw the right lesson from the demise of the Soviet and East-European Communist Parties in the early 1990s. These political parties, Ji said, “had gone astray by changing the overall direction of their countries.” The researcher added that it was due to the “maneuvers of anti-Communist forces, plus the infiltration and plots of Western countries” that Soviet and East-European parties lost their inner cohesion and embraced Westernization (Xinhua News Agency, December 13). Earlier this year, the CPS and other party units had shown educational videos warning CCP members of how central Asian countries such as Georgia and Kyrgyzstan had undergone “color revolutions” due to the alleged subversion by Western powers.

Indeed, during their marathon provincial tours the past fortnight, top leaders including President Hu, Premier Wen Jiabao and First Executive Vice-Premier Li Keqiang were mainly concerned with finding ways and means to generate jobs and pre-empt unrest—not spreading the gospel about the next stage of reform. Particularly active were the two Politburo members in charge of law and order: Zhou Yongkang and Meng Jianzhu. While touring Zhejiang, a province where thousands of factories have been hit by export doldrums, Zhou urged law enforcement officers to “pay minute attention to information about social stability.” “We must make early discoveries about [social] contradictions and disputes, and make early attempts at reconciliation and resolution,” he told local officials. “We should ensure that minor problems are solved [on the spot] in villages, big problems are resolved within towns, and that contradictions will not disturb [central authorities]” (Xinhua News Agency, November 26). And after the terrorist attacks in Mumbai earlier this month, Minister of Public Security Meng noted in a high-level conference

that police nationwide must raise their guard against violent incidents. “We must boost our consciousness about fighting terrorism,” he said. “We must look out for weak links, strengthen the construction of anti-terrorist squads, and raise our ability to handle emergencies” (Xinhua News Agency, December 11). Given the bunker mentality that seems to be prevalent among the CCP leadership, it seems improbable that the Hu-Wen team will in the near future duplicate the bold, visionary—and risky—reforms unveiled by late patriarch Deng thirty years ago.

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The Ascent and Plateau of China’s Urban Centers

By Li Jianmin

Urbanization in China has an obvious economic but also a profound social and political significance for the authorities in Beijing. It can not be simply understood as a concomitant output of China’s industrialization, nor does it only refer to the changes in a population’s geographic distribution or the people’s life-style, for China, urbanization represents an opening for another social transformation.

RURAL-TO-URBAN MIGRATION

Since the institution of the Chinese *hujia* system (the household registration system) in 1958 the door to China’s urban centers had been tightly closed off to the rural peasants. The *hujia* system segregated the urban from the rural areas as a means for the government to maintain control over labor. Rural peasants accounted for over 80 percent of the total population during the 1960s-70s [1]. In 1983, following the boom of village and township enterprises promoted by the late patriarch Deng Xiaoping’s first wave of economic reforms, rural people were permitted to reside and work in towns—with the catch that they were not entitled to receive state welfare such as grain rations reserved for the urban people. However, the infrastructure of these sparse towns were too weak to accommodate the lifting of the flood-gate

that allowed hundreds of millions surplus rural laborers to migrate within China. In the 1990s, particularly after the Chinese government began its second wave of economic reforms to propel its transition to a more market-oriented economy in 1992, the rapid development of the economy brought about a huge demand for labor in urban centers, for example, the urban labor force employed increased from 156 millions in 1992 to 173 millions in 1995 [2]. Although there was still no sign that Beijing was planning to loosen controls of the *hukou* system, the demand of the urban labor market nevertheless beckoned rural laborers. The changes brought about by economic development led to a significant social transformation in modern China. The rush of hundreds of millions of rural laborers to the urban areas, created a powerful wave that not only broke down the regulatory walls erected under the antiquated system of a planned economy, but also accelerated the process of urbanization.

At the beginning of China's reform and opening up, the urban population made up 17.9 percent of the total population [3], but by 2007 this percentage increased to 44.9 percent [4]. During the same period the total population of China increased from 963 millions to 1321 millions, and that of an urban area increased from 172 millions to 594 millions, at annually growth rate of 4.27 percent. Meanwhile, the rural population decreased from 790 million to 728 million at the annual rate of -0.28 percent [5]. The implementation of the one-child policy in the early 1980's resulted in a very low natural growth rate (*China Brief*, December 8). Thus, the main drivers behind the rapid growth of the urban population are the result of two major factors: rural to urban migration and increasing mobility of the population; and the extending of the present cities and the development of new ones.

CHINA'S FLOATERS

The "floating population" of China generally refers to the recent trend of people changing their actual permanent residence, but retaining their *hukou* (registered residence). This migrant population was 6.57 million in 1982, which accounted for only 0.66 percent of the total population at that time. Since towns were opened up to the rural population in the mid 1980s, however, the migrant population has increased rapidly to 18.1 million in 1987 and 21.35 million in 1990. Since then, the rate has increased even faster to become 70.73 million in 1995 and 102.29 million in 2000. The rural population makes up the majority of this "floating army" and, according to a survey carried out by the Ministry of Labor and Social Security, the total rural population working away from their *hukou* was about 120 million in May 2005, among which 100 million worked at urban area. In 2005, the

number of "floating" workers in China stood at roughly 147.35 million or approximately 11.3 percent of the total population [6]. The path of this migrant population has mainly flowed from the rural hinterlands in Central and Western China to the more economically developed Eastern and Coastal areas. At present, the percentage of the migrant population is close to being 20 percent of the total permanent resident population of the urban area in China. In fact, in cities such as Dongguan, Shunde, and Nanhai in the Zhujiang Delta Area, the size of the migrant population is even larger than that of the locally registered residents. Population migration, especially rural to urban migration, brings about a strong and profound impact on the economic and social development of China. First of all, it provides the comparative advantage of cheap labor, which supports the fast economic growth of China; secondly, it increases the income of rural people (for example, the income from wages and salaries through remittances made up 36 percent of total income for rural families in 2005) [7]; thirdly, it promotes the development of infrastructure and public services in urban centers; finally, it increases the stock of human capital in the migratory labor force, which in turn enhances their development capacities in other respects.

CHINA'S CAMPAIGN TO BUILD CITIES

The nationwide expansion of existing cities and up-spring of new cities has been buttressed by urbanization. According to a report issued in November 2008 by the National Bureau of Statistics (NBS), the number of cities in China at the end of 2007 was 655, which was 462 more than that in 1978, and the administratively designated towns numbered 19,249, which was nearly 8 times that in 1978. Most astonishing was the precipitous growth in the size of cities. In 2008 there were cities 83 cities with an urban population between 1 and 2 million was 83 (as compared to 19 in 1978). The number of megacities (population over 2 million) has risen from 10 in 1978 to 36 in 2008. Furthermore, of those 36, there are 20 megacities with a population over 5 million. The largest among them are Shanghai, Beijing, Tianjin, Chongqing, Guangzhou and Shenzhen—all with a population of more than 10 million [8]. In 2007, the area and above cities (excluding the counties within the jurisdiction of area) had a total population of 371.56 million, 1.2 times more than that in 1978, and the corresponding administrative area of land was 62.2 square kilometers, 2.2 times larger than that in 1978. The city that best represents this phenomenon is Shenzhen, which had a population of 310,000 when it was first established as a special economic zone in 1979 and has now developed into a megacity with a population of over 10 million.

STRUCTURAL COLLISION

As a result of the *hukou* system, Chinese society has effectively been divided into two sectors: the “urban-rural plate structure” and “plate-of-area structure.” The foundations of these two sectors are the *hukou* system and the dependent institutional arrangements of people’s livelihood for such social welfare as education, employment, housing, health insurance and social security. The *hukou* system and the dependent institutional arrangements, which were the product of China’s planned economy, largely remained untouched during the reform era.

The *hukou* system was established in 1958 and its initial goal was to guarantee the high accumulation of capital for industrialization. The system divides the population into two parts: city *hukou* and agricultural *hukou*. The government allocated food and other living necessities to the people according to the type of *hukou* it assigns, and established different systems of education, employment, social security and social welfare for the people with city *hukou* and the people with agricultural *hukou*. Despite its initial intention, the *hukou* system has since then become a powerful instrument for the government to control migration from rural to urban areas and even labor mobility between cities. In rural areas, a *hukou* also serves as the basis for determining the allocation of land among rural residents. Thus, the *hukou* system in China is much more than a registration system, and is actually an instrument for distributing social and public resources and regulating political rights (according the *Election Law*, the ratio of populations the congressman or councilors represented between rural residents and urban residents is 1:4, that means 4 rural residents).

As China’s economy continues to develop, the shift of labor between different industries and urbanization has increasingly revealed a contradiction in the system. This conflict resulted in the formation of two unique social groups: a “floating population” and a new social group in cities—“*nongmin gong*” (literarily “farmer proletariats”—that is rural workers without an urban *hukou*). Furthermore, while the dualistic nature of society in the past mainly referred to the segregation between the urban and rural areas, the problem has now also extended to the inner urban area. Although rural workers are now allowed to enter the urban market, they are not entitled to enjoy the same rights and treatment as the locally registered population. The *hukou* system builds a “glass wall” that separates rural and urban workers in terms in income, social security, medicare, education attainment and so on. So the conflict between plates aroused by the social change in China brings about not only an abundance of cheap labor, but also a new lowest social class in the

social hierarchy of the urban areas. This situation is only exacerbated by the lack of institutional reforms such as social welfare and social security.

Some local governments have begun to reform this antiquated system and establish new rules and regulations that create a uniform system that provides an equal opportunity for all residents irrespective of original types of *hukou*. On the other hand, functioning purely as a household registration system, the *hukou* system will retain its value for the implementation of demographic, social, and economic development plans and for the management of cities.

ECONOMIC OPPORTUNITY OR REVOLVING DOOR?

According to data from the National Population and Family Planning Commission, in the following 25 years, the speed of urbanization will be about 1 percent per year and the urbanization level will probably be 60 percent in 2025 and 70 percent in 2030. This means that by 2030 the urban population will reach 1.05 billion people— an increase of approximately 500 million from the current level [9]. Such a fierce structural change will certainly have a profound impact on the economic and political structure of China. China’s resilient social fabric has so far been able to accommodate the development of the economy and the urbanization in the past 30 years. However, there is evidence that it is approaching the limit of its tolerance. When industrialization and the development of the economy accumulate more energy for urbanization, the *hukou* system and the institutional arrangements of people’s livelihood imposed by the government will not be capable to support the urbanization of China any longer, on the contrary, they will produce more social unrest and constrain sustainable development of the economy. Thus, in recent years, the resolution of issues stemming from inequalities created by the *hukou* system have become not only the most intense political demand of the Chinese people, but also the priority for the Chinese government. Among these issues are the desired right for people to enjoy the same national treatment regardless of their *hukou* status, the elimination of social inequities, the narrowing of social differences, and changing the duality in the social structure. In the speech at the 17th National Congress of the Chinese Communist Party (CCP) on October 15, 2007, President Hu Jintao emphasized that the government will establish a basic system of social security that will cover both urban and rural residents so that everyone can be assured of basic living standards (Xinhua News Agency, December 24).

Due to China’s rapid urbanization, the existing income distribution and social security systems are facing tremendous strain. Addressing these challenges requires the

Chinese government to carry out a sweeping reform of the existing *huj*i system, serious restructuring of the dependent social welfare and security system, and the eradication of the institutional barriers to population migration.

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Sino-Pakistani Relations Reach New Level After Zadari's Visit

By Tarique Niazi

China and Pakistan have vowed to push their friendship to new heights (*Daily Times*, October 17) as the two nations are now exploring new summits in the economic partnership that they have forged since Asif Zadari moved into the Aiwan-i-Sadr (President's House). As a successful businessman, President Zadari is expected to draw Beijing into an enduring partnership based on trade and investment and to deepen Beijing's stakes in Pakistan's national economy and thereby enhance its stability. After years of steady growth of over 6 percent a year, Pakistan has recently seen its economy hit a rough patch. It has found itself drained of liquidity (i.e., cash capital) to bridge its ever-widening trade deficit. Although the country's export economy is flourishing, it is still susceptible to the volatile commodity market, especially the oil imports which soak up the bulk of its foreign exchange reserves—its oil import bill for 2008 ran up to \$11 billion (*The Dawn*, November 21).

PAKISTAN'S MACROECONOMY

With an anticipated surge in its trade economy, the energy costs for Pakistan are bound to shoot still higher. This means an even wider trade deficit. The projected volume of Pakistan's bilateral trade in 2008-9 is valued at \$56 billion, which is almost 36 percent of its GDP (Gross Domestic Product) of \$146 billion. If the increase in the projected trade volume materializes into reality, it will leave Pakistan with a deficit of \$14 billion from an imbalance between its exports of \$21.3 billion and imports of \$35 billion (*Daily Times*, December 12). This yawning gap will remain unabridged even after it eats up the last dollar in the country's foreign exchange reserves that have already dwindled to \$8 billion in 2008 from a high of \$16 billion a year before. Worse still, the trade deficit, directly or indirectly, has punched a deep hole in a national budget that already stands far away from being balanced. As a result, the gap between income and spending has widened to 6.7 percent of the GDP (Bloomberg, June 12).

It is this macroeconomic straitjacket that worries President Zadari. Pakistan needs a partner who can help the country out of this menacing challenge, and this was exactly what went into planning Zadari's state visit to China at the invitation of Chinese President Hu Jintao, on October 14-17. It has also become customary for every Pakistani leader to begin their term in office with the first call on the "all-weather friend." After his swearing-in as president in September, Zadari took a bit longer than his predecessors to pay a visit to Beijing, for which he caught flak from friends and foes alike (*International Herald Tribune*, October 13). What further enraged his detractors was his erstwhile private visit to Britain after assuming office as President, which he undertook to seek British intervention for a short-term loan from the IMF (International Monetary Fund) to meet the country's cash needs. His detractors wanted him, instead, to choose Beijing as his first stop. The need for emergency assistance, however, hastened his visit to China where he wanted to rustle up urgent cash (between \$500 million to \$1.5 billion) to avert a default on immediate debt obligations (*The Dawn*, October 16). China, which sits on a mountain of \$2 trillion in foreign currency reserves, obliged President Zadari with a soft (i.e., low-interest) loan of \$500 million. In terms of long-term economic goals, President Zadari had the Planning Commission of Pakistan work out an economic charter that is charged with helping grow bilateral trade between Beijing and Islamabad, as well as in attracting Chinese investment (*Business Recorder*, September 26). On September 26, the Planning Commission, in consultation with Chinese Ambassador to Pakistan Lou Zhaohui, prepared the document, which intends to remove any infrastructural bottlenecks in the path of Chinese projects

and guarantee their speedy execution (Business Recorder, September 26).

TRADE AND INVESTMENT

The completion of these projects is expected to put Pakistan's trade economy in the fast lane. As of 2008, two-way trade between China and Pakistan has already risen to \$7 billion from a meager \$2 billion in 2003. It is now set to grow to \$15 billion by 2010 (The Associated Press of Pakistan (APP), December 12). In parallel, informal trade between the two countries also runs into the billions of dollars. This off-the-books trade is part of the reason why both countries have signed the Free Trade Agreement (FTA) that is now in effect. The FTA will allow both nations more preferential terms of trade than permissible as members of the World Trade Organization (WTO). Growth in the investment sector is running along a similar trajectory. In fact, China has already emerged as the largest investor in Pakistan, with its investment portfolio poised to swell to \$15 billion by 2012. During President Zardari's visit, Chinese companies pledged to invest \$5 billion in his country. In addition, his persuasion for the faster growth in trade and investment yielded 12 major agreements and memoranda of understanding (MOUs) (*The Dawn*, October 16) to enhance economic collaboration in such sectors as energy, minerals, infrastructural development, and telecom.

The significance of these pacts was evident on October 16 at a staged ceremony held at the Great Hall of the People that was accompanied by pomp and circumstance, while Chinese President Hu and President Zardari hung around to cheer each other on. Earlier, in a one-on-one meeting, President Hu spent an hour with President Zardari to discuss the future shape of their bilateral relations. Both "reached broad agreement on strengthening the China-Pakistan strategic partnership of cooperation and on international and regional issues of mutual interest under the new circumstances" (*Daily Times*, October 17). Later, the two men were joined by their aides for another two-hour session. President Hu finally capped the day with a state banquet to honor President Zardari. The hallmark of the banquet was the two leaders' speeches that noted how each nation is special to the other, and Pakistan's affirmation of the "one China" policy.

On the day following the glittering signing ceremony and sumptuous banquet, 200 top Chinese corporate executives descended on the State Guest House in Beijing, where President Zardari was staying, to further discuss the avenues of trade and investment in Pakistan. Zardari charmed them with preferential terms of trade and investment that he has now institutionalized in the creation of Special Economic

Zones (SEZs) under the FTA. All products manufactured in these zones will be exempt from trade tariff.

ENERGY AND MINERAL PRODUCTION

President Zardari made a special headway in advancing Chinese collaboration in the energy production sector. Pakistan has long sought Chinese investment in the development of its subsoil resources, such as coal, oil and natural gas in Sind and Balochistan. Thar coalfield in Sind boasts one of the world's largest reserves of 185 billion tons and has a market value that runs into the trillions of dollars (Jang, October 17). Similarly, the net value of metallic resources at Rekodiq, Chaghi, Balochistan, is estimated at \$65 billion (*The Dawn*, September 26). Besides, Pakistan sits on 30 trillion cubic feet of untapped natural gas reserves (Jang, December 12), which is also valued in trillions of dollars. To finance these projects, China and Pakistan have already established a joint venture company with an initial Chinese capital investment of \$500 million.

SINO-PAKISTANI RELATIONS AND SOUTH ASIA

The close economic cooperation between China and Pakistan drew cheers from all of their South Asian neighbors, except for India that has been instinctively wary of their alliance. Its outlook has, nevertheless, begun to change since a dramatic growth in Sino-Indian economic relations has overtaken those of China-Pakistan. As of 2008, Sino-Indian trade has reached \$40 billion a year. It is now set to grow to \$60 billion by 2010 [1].

To balance its strategic interests with economic ones, China has steadily served as a moderating influence on Pakistan's historically conditioned view of India. It is especially evident in Beijing's softening of its hard line on the Kashmir dispute, to New Delhi's satisfaction. What is more, President Hu volunteered to mediate between India and Pakistan to help resolve this issue. China has since been advising Pakistan to seek a negotiated settlement of the Kashmir question (Jang, December 4). There are visible signs that Pakistani leaders are soaking up the advice and publicly articulating its merits (Jang, December 4).

Above all, China is cautious about its image as the world's emerging great power, which impels it to conduct bi-national diplomacy in a way that does not conflict with its regional or global ambitions. The case in point is its most recent vote on December 10 at the United Nation Security Council, which led to the banning of Jamaat-ud-Dawa (JUD), a Pakistan-based charity, which is believed to be a front organization of the already outlawed terrorist group, Lashkar-i-Tayyaba, and which is accused of orchestrating the Mumbai attacks on November 26. Earlier, China has

blocked the Security Council vote on the JUD three times due to an apparent lack of evidence. After terrorist strikes in Mumbai, however, China accepted the Indian case against the JUD and sided with the United States in the Security Council to vote yes on declaring it a terrorist organization. For its part, Pakistan did not demur and instead it cracked down on the JUD and shut down its operations.

In addition, China is going slow on Pakistan's persistent pleas for an additional six nuclear power plants at the cost of \$10 billion to meet its growing energy needs. China's lukewarm response is meant in part to calm nuclear proliferation concerns in Washington. In equal measure, it intends to keep India unruffled. Yet China is fully supportive of Pakistan's "right to the peaceful use of nuclear energy" [2]. Chinese Foreign Minister Yang Jiechi vowed to "continue extending nuclear cooperation to Pakistan" [3]. After swallowing Pakistan's nuclear-capability in weapons production, India too has become resigned to Sino-Pakistani cooperation in nuclear energy. India's External Minister Parnab Mukherjee publicly supported such cooperation, after China blessed the Indo-U.S. nuclear deal during President Hu's visit to India in November 2006 [4].

CONCLUSION

Sino-Pakistani relations have outgrown their monolithic base in this traditional strategic partnership. They are now on the way to diversification into a mutually profitable economic relationship. Pakistan's current leadership is far keener on the country's economic security, which it wants to insure through trade and investment. In the near future, Chinese investment in Pakistan's energy sector, mineral development and communications will multiply dramatically, further boosting the bilateral trade between the two countries. If Pakistan can overcome its energy shortfall, it is likely to emerge as the world's sixth largest economy, rivaling Italy, taking into account Pakistan's natural resources (i.e., coal and natural gas reserves), that are valued in the trillions of dollars. More importantly, Pakistan claims to possess combined on- and off-shore oil reserves of 3 trillion barrels. On top of that, Pakistan is a fast growing economy whose GDP doubled to \$146 billion in 2001-2008 [5]. For its part, China is responding positively to the needs of a trusted ally that has become China's watchtower along its restive western territory and along China's borders with the Central Asian Muslim Republics. India will, however, continue to warily watch the two states as they explore new heights in their relationship.

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Chinese Land Attack Cruise Missile Developments and their Implications for the United States

By Michael S. Chase

Much scholarly attention has been devoted to China's rapidly growing ballistic missile force in recent years, but relatively little has been written on China's development of its land attack cruise missile (LACM) capabilities. Considering the rapid increase in the number and sophistication of Chinese short-range ballistic missiles (SRBMs), the deployment of China's DF-31 and DF-31A road-mobile inter-continental ballistic missiles (ICBMs), and the development of conventionally-armed medium-range ballistic missiles (MRBMs), including one intended to target aircraft carriers and perhaps other surface ships, it is understandable that Chinese LACM developments have been overshadowed to some extent by these impressive ballistic missile force modernization efforts. The development of Chinese LACM capabilities is clearly worthy of greater analytical attention, however, especially given its potential strategic implications for the United States. Drawing on a variety of sources, including Chinese scientific and technical journal articles, People's Liberation Army (PLA) newspapers, and unclassified U.S. government reports on Chinese military modernization, this article examines Chinese writings on the advantages and disadvantages of LACMs and evaluates China's evolving LACM capabilities. It also assesses some of the potential implications for U.S. defense planners and policymakers.

CHINESE WRITINGS ON THE EMPLOYMENT OF LACMs IN RECENT CONFLICTS

Chinese analysts have studied recent U.S. military operations very closely and quite a few authors have published their views on the employment of land attack cruise missiles in recent conflicts. The employment of Tomahawk cruise missiles in Kosovo, Iraq and Afghanistan has been of particular interest to Chinese writers, and they have noted what they see as both the advantages and the weaknesses of U.S. cruise missile capabilities. Many Chinese articles emphasize the importance of enhancing China's ability to defend itself against cruise missile attacks, but some also discuss the use of cruise missiles more broadly, perhaps providing some hints as to how China would plan to employ its own cruise missiles in a regional conflict. Indeed, Chinese writings on the employment of Tomahawk cruise missiles by the United States in the Gulf War, Kosovo, Afghanistan, and Iraq not only reflect a deep interest in drawing on the "lessons learned" from these conflicts to improve the PLA's ability to defend against cruise missile strikes, but also reveal that Chinese analysts have devoted considerable attention to analyzing the strengths and weaknesses of cruise missiles as precision strike weapons.

CHINESE VIEWS ON THE ADVANTAGES OF LACMs

Chinese analysts highlight the long range, accuracy, multi-directional attack capabilities, and ability to launch from a variety of platforms as some of the key advantages of LACMs. Cruise missiles can be used to penetrate enemy air defense networks at low altitudes. They are highly accurate, highly maneuverable and can be used to attack a target from any direction [1]. Among the other stated advantages of cruise missiles are that they are often difficult to detect and track. Similarly, analysts from the PLA Air Force Engineering University highlight detection of enemy cruise missiles as one of the main challenges of cruise missile defense. In their words: "Detection by land-based radar is difficult because cruise missiles use low-altitude defense measures and stealth technology, and detection is affected by the curvature of the earth. The effect of land and sea clutter is also an important factor in reducing the probability of detection and identification" [2]. In addition, Chinese analysts have also pointed out that cruise missiles (and ballistic missiles, for that matter) are relatively inexpensive, especially when compared to manned strike aircraft [3].

Chinese analysts conclude that these advantages make cruise missiles an ideal weapon for long-range precision strikes and that this is why the U.S. military has employed cruise missiles extensively to conduct such strikes in a number of recent conflicts, including the Gulf War, Desert

Fox and Kosovo. Chinese writers have also noted that cruise missile strikes are often among the opening shots of a conflict. Another assessment that discusses the first strike role of cruise missiles points out that they are often used to enable follow-on strikes by manned aircraft, but may also be used on their own. "With development in modern air defense weapons," according to the authors, "the traditional method of using aircraft to breach defense has been replaced by using cruise missiles to 'clear the way' first and then using aircraft and cruise missiles jointly to attack targets; sometimes, only cruise missiles are used to achieve air attack objectives" [4].

Chinese writers have also highlighted the employment of cruise missiles in Operation Desert Fox as a form of "non-contact warfare" [5]. Overall, therefore, it is fair to say that the Tomahawk cruise missile generally receives high marks from Chinese writers. In the words of one Chinese analyst, for example, "The 'Tomahawk' cruise missiles on which the U.S. relied from the Gulf War and the war in Kosovo in the '90s to the recently-concluded war in Afghanistan can be said to have performed in a dazzling manner" [6].

Despite the attention devoted to the Tomahawk's advantages and the favorable evaluations of its use in recent conflicts, however, Chinese authors also highlight some perceived weaknesses of cruise missiles. According to one source, "Developed in the 1970s, the U.S. 'Tomahawk' cruise missiles have displayed some vital weak points, including a low cruise speed, a small combat body, a large size, and so on. In all previous battles, the U.S. 'Tomahawk' cruise missiles had been shot down by the enemy" [7]. Similarly, other Chinese authors highlight the vulnerability of Tomahawk cruise missiles to "hard kill," "soft kill," and deception [8].

According to the authors of one article, "a 'hard kill' means using weapons such as SAM, air, and air-to-air missiles, or AAA and machine guns, for a fire intercept of a cruise missile [9]. A number of Chinese military analysts have stated that Tomahawk cruise missiles are vulnerable to anti-aircraft fire [10]. Chinese analysts also discuss "soft kill" methods, such as electronic jamming. According to one article, electronic jamming "keeps the cruise missile from receiving the GPS navigation signal, keeps it from exchanging guidance signals between launch platforms, and makes the missile radar guidance head and altimeter malfunction, making the Tomahawk 'deaf' and 'blind,' finally leaving it 'deranged'" [11]. Denial and deception are also seen as potentially effective countermeasures [12].

Finally, Chinese analysts have noted that simply having deployed some cruise missiles is not enough to carry out long-range precision strikes effectively. They point out that

there are many requirements beyond the missiles themselves. The strikes must be supported by effective intelligence collection and analysis and battle damage assessment capabilities. Indeed, Chinese analysts have highlighted the importance of timely and accurate intelligence information to effective targeting of cruise missile strikes [13].

This level of attention to the shortcomings and vulnerabilities of cruise missiles may be largely a function of China's strong interest in improving its own cruise missile defense capabilities. This is a high priority for the PLA given the threat of cruise missile attack against high-value targets by the United States or perhaps Taiwan in the event of a cross-strait conflict. As the authors of one article published in *Jeifangjun Bao* put it, "Cruise missiles pose a serious threat to our important targets," and cruise missile defense "is a critical issue with bearings on the overall operation" [14]

Nonetheless, Chinese writings that address the limitations of the Tomahawk and other cruise missiles suggest that these assessments of cruise missile vulnerabilities may also influence China's plans for the employment of its own land-attack cruise missiles in future conflicts. For example, Chinese writers have clearly recognized that cruise missiles are much easier to intercept than ballistic missiles [15], suggesting that this would be taken into account in their planning for future military operations.

CHINESE LAND ATTACK CRUISE MISSILES

Not surprisingly, given that Chinese analysts view cruise missiles as very effective weapons, China is developing and deploying air- and ground-launched land attack cruise missiles (LACMs) to contribute to the enhancement of the PLA's conventional long-range precision-strike capabilities. China's current and emerging land attack cruise missile capabilities include ground-launched land attack cruise missiles and air-launched land attack cruise missiles. It is also possible that China will deploy nuclear-armed land attack cruise missiles.

Ground-launched Cruise Missile Capabilities

Ground-launched cruise missiles (GLCMs) appear to form the cornerstone of China's emerging LACM deployments. According to the 2008 Department of Defense report to Congress on Chinese military power, "The PLA is acquiring large numbers of highly accurate cruise missiles, such as the domestically produced ground-launched DH-10 land attack cruise missile (LACM)" [16]. Specifically, the 2008 Department of Defense report estimates that China has deployed 50-250 DH-10 LACMs and 20-30 launchers [17]. In addition, the report states that the DH-10 has a range of at least 2,000 km [18].

Air-launched Cruise Missile Capabilities

China is also developing air-launched cruise missile (ALCM) capabilities. According to the Department of Defense, "China is upgrading its B-6 bomber fleet (originally adapted from the Russian Tu-16) with a new variant which, when operational, will be armed with a new long-range cruise missile" [19].

Possible Nuclear-armed Cruise Missile Capabilities

Chinese air- and ground-launched cruise missiles may also be capable of carrying nuclear warheads. If armed with nuclear warheads, the PLA's emerging LACM capabilities could supplement China's strategic ballistic missile forces, which are currently being modernized to enhance their survivability and striking power. According to the 2008 Department of Defense report, "New air- and ground-launched cruise missiles that could perform nuclear missions would ... improve the survivability, flexibility, and effectiveness of China's nuclear forces" [20]. Whether China will ultimately choose to deploy nuclear-armed GLCMs or ALCMs, however, appears to remain an open question. Indeed, as Jeffrey Lewis has noted, the most recent edition of the Department of Defense report to Congress does not state that China has deployed nuclear-armed LACMs; it simply indicates that some Chinese cruise missiles may be capable of carrying nuclear warheads [21]. Whether China ultimately deploys an exclusively conventional LACM force or some conventional and some nuclear systems, however, China's development of LACM capabilities will have strategic implications for the United States and its allies and friends in the Asia-Pacific region.

STRATEGY AND POTENTIAL TARGETS

According to the 2008 edition of the U.S. Department of Defense's annual report on Chinese military power, "China is developing air- and ground-launched LACMs, such as the YJ-63 and DH-10 systems for stand-off, precision strikes" [22]. Indeed, the deployment of highly capable LACMs will give the PLA a number of options to conduct strikes against targets in Taiwan and Japan, especially if the PLA is able to successfully integrate its emerging LACM forces with manned aircraft and ballistic missile force capabilities. Indeed, land-attack cruise missiles are an important part of China's growing anti-access/area-denial capabilities. Chinese LACMs could threaten regional bases as well as transportation, communications, and logistics targets. Chinese LACMs would probably be employed in conjunction with short-range ballistic missiles, medium-range ballistic missiles, special operations forces, manned aircraft, and computer network attacks [23]. Manned bombers carrying air-launched cruise missiles

could eventually pose a serious threat to targets as far away as Guam. As the Department of Defense report to Congress notes, “Strike aircraft, when enabled by aerial refueling, could engage distant targets using air-launched cruise missiles equipped with a variety of terminal-homing warheads” [24]. Even a relatively small number of bombers could carry enough cruise missiles to conduct a potentially serious attack against a target like Anderson Air Force Base. Moreover, the capability to provide fighter escorts for the bombers would enhance this threat considerably.

CONCLUSION

Although much greater attention has been devoted to China’s rapidly increasing ballistic missile capabilities, the PLA’s development of LACMs will also have strategic implications for the United States in a number of areas. First, cruise missiles will contribute to a growing threat to facilities in Taiwan and Japan, including U.S. military bases. Indeed, Chinese cruise missiles will pose a serious threat to a number of critical bases. This threat will become especially serious if China is able to successfully integrate cruise missile strikes into plans that also incorporate manned aircraft strikes and ballistic missile attacks.

Second, cruise missile capabilities may transform Guam from a potential sanctuary into a possible target for long-range precision strikes. China may eventually field LACMs along with launch platforms such as manned bombers that would enable the PLA to conduct long-range conventional attacks on regional targets that it historically has been unable to reach with conventional weapons, including U.S. military facilities on Guam. Indeed, it appears that this option is motivated primarily by the desire to deny the U.S. military the opportunity to use Guam as a sanctuary during a high intensity conflict with China. The implication for U.S. planners and policy makers is clear: Guam will not be a sanctuary once the PLAAF has a credible ability to conduct attacks with manned bombers carrying air-launched cruise missiles.

Third, there is a possible risk of inadvertent escalation if China deploys both conventionally—and nuclear-armed LACMs. The PLA’s emerging LACM capabilities could also augment China’s strategic forces if some of the cruise missiles were to be armed with nuclear warheads, but if China deploys both conventional and nuclear variants of its LACMs this could increase the possibility of inadvertent escalation in a regional conflict, especially if an adversary were to accidentally strike nuclear-armed LACMs or their supporting command and control systems in the course of operations intended to target conventionally-armed systems.

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Strategy and Policy Department at the Naval War College in Newport, Rhode Island. The views presented in this article are those of the author and do not necessarily represent the views of the Naval War College, Department of the Navy, or Department of Defense.

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